

Message Text

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ORIGIN AF-08

INFO OCT-01 ISO-00 ONY-00 /009 R

DRAFTED BY AF/E:PGSMITH:JJ

APPROVED BY AF:DBBOLEN

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R 231908Z NOV 76

FM SECSTATE WASHDC

TO AMEMBASSY LUSAKA

C O N F I D E N T I A L STATE 287130

STADIS//////////

LIMDIS

E.O. 11652: GDS

TAGS: EAID, ZA, US

SUBJECT: ADDITIONAL SECURITY SUPPORTING ASSISTANCE FOR
ZAMBIA

1. DEPARTMENT IS CURRENTLY CONSIDERING NEED FOR ADDITIONAL
SECURITY SUPPORTING ASSISTANCE (SSA) FOR ZAMBIA IN FY 77.
WE HAVE BEEN TOLD BY OMB THAT REQUEST CANNOT BE JUSTIFIED
SOLELY AS REPRESENTING RESTORATION OF AMOUNTS CUT FROM
ORIGINAL SSA REQUEST FOR FY 77, BUT MUST BE INDEPENDENTLY
JUSTIFIED, BOTH IN TERMS OF LEVEL AND AS TO INTENDED
UTILIZATION.

2. OUR INITIAL VIEW IS THAT A REQUEST FOR AT LEAST \$20
MILLION IN SUPPLEMENTAL FY 77 SSA FOR ZAMBIA CAN BE
JUSTIFIED ON BASIS OF \$35 MILLION INCREASE IN 1976 PRO-
JECTED BALANCE OF PAYMENTS GAP TO BETWEEN \$80 AND \$100
MILLION, DUE TO RECENT DROP IN LME COPPER PRICES (FYI WE
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ARE NOW USING CY 76 AVERAGE OF 63.7 CENTS VICE 67 CENTS

ANNUAL AVERAGE FORECAST EARLIER THIS YEAR).

3. DEPARTMENT IS ALSO ASSUMING THAT ANY SUPPLEMENTAL SSA FOR ZAMBIA WOULD BEST BE DISBURSED AS A SECOND FY 77 PROGRAM LOAN. AS IN CASE OF FIRST SSA REQUEST, RATIONALE

WOULD BE THAT MOST PRESSING ZAMBIAN NEED IS FOR BALANCE OF PAYMENTS HELP IN THE SHORT TERM, AND THAT PROGRAM LOAN OFFERS BEST PROSPECT OF BRINGING AVAILABLE RESOURCES TO BEAR SO AS TO ENHANCE PROSPECTS FOR ZAMBIAN ECONOMIC AND POLITICAL STABILITY.

4. IN INFORMAL DISCUSSIONS WITH AID, WE HAVE BEEN ASKED WHETHER ANY SECOND LOAN MIGHT BE SPECIFICALLY TARGETED TO ASSIST PRIVATE SECTOR, WHICH HAS BEEN LEFT OUT IN FIRST LOAN.

5. ACTION REQUESTED: WOULD APPRECIATE POST COMMENTS, ESPECIALLY ON ASSUMPTION PARA 3 AND QUERY PARA 4, NO LATER THAN NOVEMBER 29, BY CABLE SLUGGED STADIS, AF ONLY. KISSINGER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SECURITY, FOREIGN ASSISTANCE, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 NOV 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE287130
Document Source: CORE
Document Unique ID: 00
Drafter: PGSMITH:JJ
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760436-0295
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761121/aaaaartd.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 07 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JUL 2004 by MartinML>; APPROVED <08 JUL 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ADDITIONAL SECURITY SUPPORTING ASSISTANCE FOR ZAMBIA
TAGS: EAID, ZA, US
To: LUSAKA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006